

FY 2013 CRA “B” Workpapers  
Public Version

**I. PREFACE**

**NOTE:** Revisions of 2/06/14 are explained at the end of this document in **bold**.

**A. Purpose and Content**

USPS-FY13-32, FY 2013 CRA “B” Workpapers, input and calculate costs by cost segment which are used by USPS FY13-31, CRA Model, to produce USPS-FY13-2, Cost Segments and Components Report. The workpapers calculate attributable costs by product for 13 of the 18 cost segments, including Postmasters, Supervisors, Clerks and Mail Handlers, In-Office City Carrier Activities, City Carrier and Rural Carrier Street Costs, Purchased Transportation, etc. It contains electronic documentation of the spreadsheets and programs used to develop these costs.

**B. Predecessor Documents**

Docket No. ACR2012, PRCACR2012-LR1, USPS-FY12-32,

**C. Corresponding Non-Public Document**

USPS-FY13-NP14 is the corresponding non-public folder.

**D. Methodology**

For purposes of this annual report, and consistent with the Postal Accountability and Enhancement Act, the “B” Workpapers for FY 2013 adhere to the Postal Regulatory Commission (PRC) methods. The USPS-FY13-32, “B” Workpapers, include the following methodological changes from FY 2012.

Cost Segment 3

The encirclement costs at acceptance for delivery confirmation are no longer assigned Priority Mail (retail), Standard Post (retail), Parcel Select Lightweight, and First Class Package Service after January 27, 2013 (See Docket No. RM2014-1, Proposal Nine).

Cost Segment 6

Every Door Direct Mail – Retail (EDDM-R) is being reported as a product for the first time in the 2013 CRA. Identifying new products often require an adjustment period for mailers and data collectors and it was discovered that EDDM-R pieces frequently were mismarked or misidentified. Since EDDM-R and High Density and Saturation Flats & Parcels are similar products with like city in-office cost causing characteristics, High Density and Saturation Flats & Parcels and EDDM-R in-office tallies were aggregated and assigned to each product based on respective Revenue Pieces and Weight (RPW) proportions.

### Cost Segment 7

Every Door Direct Mail – Retail (EDDM-R) is being reported as a product for the first time in the 2013 CRA. Identifying new products often require an adjustment period for mailers and data collectors and it was suspected that EDDM-R pieces frequently were mismarked or misidentified. Since EDDM-R and High Density and Saturation Flats & Parcels are similar products with like city street cost causing characteristics, High Density and Saturation Flats & Parcels and EDDM-R city carrier volumes were aggregated by relevant cost pool and costs were assigned to each product based on respective RPW proportions. Since Detached Address Labels (DALs) are not permissible with EDDM-R, all street time DAL costs are assigned to the product High Density and Saturation Flats & Parcels.

A correction was made to the method used to assign the delivery confirmation costs to the product 'Other Ancillary Services'. The established method multiplies the City Carrier Cost System (CCCS) total delivery confirmation volume by the scan time by the wage rate and assigns the results of the calculation to the product 'Other Ancillary Services'. USPS-FY13-NP26 later takes a portion of those scan costs and assigns them to various domestic products (Priority Mail, Parcel Select, and others). The correction made this year was to partition the scan costs into two categories, domestic and international, based on CCCS volumes. The costs associated with domestic scans are assigned to the product 'Other Ancillary Services'. Similarly, the costs associated with international scans are assigned to 'International Mail'.

A correction was made to the method used to assign letter route collection costs to products. The established method assigns letter route collection costs based on CCCS collection volumes. CCCS, however, often only gathers collection volumes on broad collections of products (e.g., 'Package Services'). In those instances, the established method for assigning costs to individual products is to use the relevant RPW proportions. The correction made this year was to split the Package Services letter route collection costs amongst Single Piece Parcel Post, Bound Printed Matter Flats, Bound Printed Matter Parcels, Media/Library Mail, and Standard Post using RPW proportions. Similarly, letter route collection costs for First Class parcels (shape) were split between First Class Parcels and First Class Package Services. In FY14, CCCS has started collecting information on these products individually so the RPW proxy will no longer be needed.

### Cost Segment 10

Every Door Direct Mail – Retail (EDDM-R) is being reported as a product for the first time in the 2013 CRA. Identifying new products often require an adjustment period for mailers and data collectors and it was suspected that EDDM-R pieces frequently were mismarked or misidentified. Since EDDM-R and High Density and Saturation Flats & Parcels are similar products with like rural cost causing characteristics, High Density and Saturation Flats & Parcels and EDDM-R rural carrier volumes were aggregated by relevant cost pool and costs were assigned to each product based on respective RPW proportions. Since Detached Address Labels (DALs) are not permissible with EDDM-R, all street time DAL costs are assigned to the product High Density and Saturation Flats & Parcels.

The evaluation factors that are used to form the cost pools had two changes for FY13. One, the evaluation for DPS letters now depends on the type of vehicle used. Routes that use a government vehicle get 0.0232 minute per DPS letter, others receive 0.0333 minute per DPS letter. Two, Prepaid Accepted Parcels greater than two pounds have the same evaluation factor

as Package (formerly Carrier) Pickup Items – 0.15 minutes per piece and 1.5 minutes for each Package Pickup Request/Prepaid Parcel Event.

A correction was made to the method used to assign the delivery confirmation costs to the product 'Other Ancillary Services'. The established method multiplies the Rural Carrier Cost System (RCCS) total delivery confirmation volume by the scan time evaluation factor and assigns the results of the calculation to the product 'Other Ancillary Services'. USPS-FY13-NP26 later takes a portion of those scan costs and assigns them to various domestic products (Priority Mail, Parcel Select, and others). The correction made this year was to partition the scan costs into two categories, domestic and international, based on RCCS volumes. The costs associated with domestic scans are assigned to the product 'Other Ancillary Services'. Similarly, the costs associated with international scans are assigned to 'International Mail'.

A correction was made to the method used to assign collection costs to products. The established method assigns the collection costs based on RCCS collection volumes and evaluation factors. RCCS, however, often only gathers collection volumes on broad collections of products (e.g., 'Package Services'). In those instances, the established method for assigning costs to individual products is to use the relevant RPW proportions. The corrections made this year were to split First Class parcels (shape) collection costs between First Class Parcels and First Class Package Services and Registered and Certified based on RPW proportions.

In FY14, RCCS has started collecting information on First Class Parcels and First Class Package Services separately, so the use of RPW proportions will no longer be needed to determine the collection costs for those products.

#### Cost Segment 12

The established method uses current Vehicle Maintenance System (VMAS) data to distribute the attributable costs across functional areas (i.e. city carriers, rural carriers, vehicle service drivers, and administrative) for personnel, supplies and maintenance, and vehicle hire costs. VMAS was a mainframe standalone system where vehicle maintenance facility cost data were stored. The maintenance facility cost data were moved to be a part of a web-based system called Solution for Enterprise Asset Management (SEAM). During the transition from the mainframe to the web, the information utilized to distribute the relevant costs to the functional areas was lost. Thus, these FY13 costs are distributed to functional areas using FY12 distribution factors. The Postal Service has verified that in FY14, these costs will be assigned using current data from the new web-based system SEAM, in accordance with the established method.

#### Cost Segment 14

The Alaska Adjustment Factor is calculated using a new method and it is applied within CS14 rather than in the CRA Model (See Docket RM2013-6, Proposal One, Order).

The relevant attributable costs from the Non-Preferential Alaska, Preferential Alaska, Hawaii, and Air Taxi cost pools are assigned to products using one set of distribution factors that use current Transportation Cost System (TRACS) data (See Docket RM2013-6, Proposal Two)

The relevant attributable costs from the Highway Plant Load and Rail Plant Load cost pools are assigned to products using a set of distribution factors based on eligible products and the current Inter-NDC distribution factors estimated from TRACS.

In the Freight Rail cost pool, the distribution factor for Single Piece Parcel Post was transferred to Standard Post in accordance with the product definition shift on January 27, 2013. Freight Rail transportation is not sampled on an ongoing basis by TRACS. For more information, see Docket No. RM2010-8, Order 424, Proposal One, dated March 17, 2010.

#### Cost Segment 20

The established method assigns attributable vehicle depreciation costs to functional areas (i.e. city carriers, rural carriers, vehicle service drivers, and administrative) using data from the Vehicle Maintenance System (VMAS). VMAS was a mainframe standalone system where vehicle maintenance facility cost data were stored. The maintenance facility cost data were moved to be a part of a web-based system called Solution for Enterprise Asset Management (SEAM). During the transition from the mainframe to the web, the information utilized to distribute the relevant costs to functional areas was lost. Thus, the FY13 depreciation costs are distributed to vehicle type using FY12 distribution factors. The Postal Service has verified that in FY14 the depreciation costs will be assigned to functional areas using current information from the new web-based system SEAM, in accordance with the established method.

#### **E. Input/Output**

This attachment relies on inputs from USPS-FY13-NP7 Cost Segment 3 International Subclass Costs by Cost Pools Cost, and USPS-FY13-NP18, Cost Segment 3 Cost Pools & Other Related Information, USPS-FY13-NP21, In Office Cost System (IOCS) Documentation, USPS-FY13-NP22, City Carrier Cost System (CCCS) Documentation, USPS-FY13-NP23, Rural Carrier Cost System (RCCS) Documentation, and USPS-FY13-NP24, Transportation Cost System (TRACS) Documentation. Outputs from this attachment contribute to USPS-FY13-NP13 FY 2013 CRA Model, USPS-FY13-NP10 Incremental Cost calculations, and USPS-FY13-19 Delivery Costs by Shape.

## **II. ORGANIZATION**

The USPS-FY13-32 "B" Workpapers are thirteen separate Microsoft Office Excel workbooks, twelve of which present cost data by separate cost segments with many worksheets in each, and the other of which, I-forms.xls, exports data to those cost segment workbooks. Data sources are referenced in each spreadsheet.

### **PUBLIC CRA REVISIONS OF 2/06/2014**

**Section A below describes the process used to make the updates associated with the updated RPW extract file materials filed in USPS-FY13-NP31 in response to Q. 11 of ChIR No. 1. Section B describes the effects of that process.**

#### **A. Revision Process**

**RPW gets uploaded to I-forms (USPS-FY13-32 - Workpapers B Input file).**

**RPW goes to the input sheet on each of the cost segment spreadsheets (Workpapers B) that use data.**

**From the input sheet the numbers go out to some of the worksheets (tabs) in the spreadsheets where they are used in calculations.**

The calculations may go to one tab or several tabs in the cost segment worksheet, where more calculations may be made.

The calculations culminate in the Outputs to CRA tab in each cost segment worksheet (Workpapers B).

All data from the Outputs to CRA tab gets uploaded into the CRA model (USPS-FY13-31 - FY2013 CRA Model).

The CRA model distributes the data by class and component to several places in the model.

The CRA model also uploads RPW for its own use to calculate new outputs not done in the Workpapers B.

The outputs from all of those calculations goes into all of the model reports A,B,C,D,F,I and the Output Matrix (USPS-FY13-31 - Reports).

The Output Matrix populates the Public CRA Summary Reports (USPS-FY13-1) with RPW data and unit calculations based on the total costs and RPW pieces.

#### **B. Public CRA changes**

Slight changes in the distribution of costs, due to the RPW corrections, can be seen throughout the CRA reports, which are shown most clearly in the C Report, and the A Report for more detail (USPS-FY13-31 – Reports).

The cost segment that shows the most difference in costs is CS1, Postmasters, whose costs are distributed on Product Revenue, and which changed slightly for almost all products. Of course, the total costs for the CS1 are the same, but the distribution among products and the split between market dominant and competitive costs went from \$280,742/\$60,116 to \$280,099/\$60,520.

Other segments with product cost changes, albeit very small, are CS2, Supervisors and Technicians, CS3 Clerks and Mailhandlers, CS6 City Delivery Carriers Office, CS7 City Delivery Carriers Street, CS10 Rural Carriers, CS13 Miscellaneous Local Operations, CS16 Supplies and Services, and CS18 Administration and Area Operations.

Cost Segments that were not affected by the RPW correction were CS8 Vehicle Service Drivers, CS11 Custodial and Maintenance Services, CS12 Motor Vehicle Service, CS14 Transportation, CS15 Building Occupancy, CS17 Research and Development, CS19 General Management Services and CS20 Other Accrued Expenses.

RPW inputs to the Workpapers B that changed from the original filing are highlighted in yellow on each of the Workpapers B worksheet input tabs, and the CRA differences that result are also highlighted in yellow on each of the Workpapers B worksheet Outputs to CRA tabs.

CRA values that changed (compared to the original filing) have been also been highlighted in the Public CRA summary report (USPS-FY13-1).